

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SP-02 TRSE-00 OMB-01

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P 291308Z JUL 75

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 4366

C O N F I D E N T I A L SANTO DOMINGO 3351

E.O. 11652: GDS

TAGS: EFIN, EAID, DR

SUBJ: CCC REQUEST BY GODR

REF: A) STATE 148542; B) STATE 176566

1. THE EMBASSY WAS PLEASED TO LEARN SEVERAL WEEKS AGO OF WASHINGTON'S FAVORABLE RESPONSE TO GODR REQUEST FOR CCC CREDIT. FROM REPORT GIVEN US BY ROBERTO MARTINEZ OF INESPRE CONCERNING HIS TALKS IN WASHINGTON AND TELEPHONE CONVERSATIONS OF EMBASSY'S ECONOMIC COUNSELOR AND AGRICULTURAL ATTACHE WITH OFFICERS IN USDA ON VARIOUS OCCASIONS, EMBASSY UNDERSTOOD THAT COMMITMENT WAS MADE TO GODR OF CCC DOLS 40 MILLION THREE-YEAR CREDIT AT 8 PERSENT, SUBJECT ONLY TO CONDITION THAT GODR OBTAIN LETTER OF CREDIT FROM US BANK. PARAGRAPH 3 OF REF A APPEARED CONFIRM THIS UNDERSTANDING.

2. THE EMBASSY HAS REPORTS THAT WASHINGTON IS NOW CONSIDERING ASSOCIATING WITH THE CCC CREDIT AS A NEW CONDITION THE PROBLEM OF ARREARAGES ON GODR PL 480 TITLE I DEBT PYAMENTS TO US, PRESUMABLY AS LEVERAGE TO EXPEDITE GODR DEBT PAYMENTS. THE EMBASSY IS COGNIZANT OF THE DEBT ARREARAGE PROBLEM AND, AS THE DEPARTMENT IS AWARE, HAS BEEN PURSUING INTENSIVE EFFORTS TO RESOLVE IT. THROUGH APPROACHES OF THE AMBASSADOR AND OTHER EMBASSY OFFICERS, CONSIDERABLE PROGRESS WAS MADE (OVER DOLS 5 MILLION WAS REMITTED IN 1974) AND WE HAD HIGH HOPES, BEFORE THE DROUGHT RAISED SUCH HAVOC WITH THE DOMINICAN CROPS AND REDUCED THE GODR'S FOREIGN EXCHANGE PROSPECTS SO DRASTICALLY, THAT THE DEBT ARREARAGES WOULD

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BE CLEARED UP. IN ANY CASE, WE INTEND TO CONTINUE TO DO ALL WE

CAN TO RESOLVE THE MATTER. TO SUPPLEMENT THE EMBASSY'S EFFORTS, THE DEPARTMENT MAY WISH TO CALL IN THE DOMINICAN AMBASSADOR TO REVIEW THE PROBLEM FROM THE WASHINGTON END.

3. TO ASSOCIATE THE DEBT ARREARAGE PROBLEM WITH THE CCC CREDIT WOULD HAVE THE FOLLOWING ADVERSE CONSEQUENCES:

A. THE GODR WOULD FEEL, ESPECIALLY AT THIS LATE STAGE, THAT IT HAS BEEN MISLED BY IMPOSITION OF A NEW CONDITION TO WHICH NO REFERENCE WAS MADE DURING ITS DISCUSSIONS WITH US OFFICIALS ON THE CREDIT ARRANGEMENTS.

B. THE GODR WOULD FIND IT HARD TO UNDERSTAND WHY, AT A TIME OF NEED FOR FOOD BROUGHT ON BY ONE OF THE SEVEREST DROUGHTS IN DOMINICAN HISTORY, AND NEED FOR FOREIGN EXCHANGE, ONE OF THE STAUNCHEST FRIENDS OF THE US SHOULD BE PRESSED BY A DEMAND THAT IT PAY UP AT ONCE OLD DEBTS AS A CONDITION FOR OBTAINING CREDIT FOR BADLY-NEEDED FOOD PURCHASES. THIS THEME WOULD PROVIDE GRIST FOR THE MILL OF NATIONALISTS, LEFTISTS AND SENSATIONAL JOURNALISTS WHILE GENERATING EXPRESSIONS OF DISMAY EVEN AMONG SECTORS FRIENDLY TO US WHO WOULD REGARD ASSOCIATING THE TWO ITEMS AS A CRASS ATTEMPT TO EXPLOIT HUNGER OF DOMINICAN PEOPLE.

C. FROM A STRICTLY COMMERCIAL VIEW, IT WOULD MAKE THE DOMINICANS MORE DISPOSED TO SEEK OTHER MARKETS FOR MAKING THEIR PURCHASES, MARKETS WHICH MIGHT BECOME MORE PERMANENT IN THE FUTURE. IN VIEW OF LETTER OF CREDIT PROVISION, THE CREDIT PRESENTS NO RISK TO USG.

4. ACCORDINGLY, WE BELIEVE THAT, IN THE INTEREST OF MAINTAINING OUR EXCELLENT RELATIONSHIPS WITH THE DR, THE MATTER OF THE CCC CREDIT AND OF PAYMENTS ON DEBT ARREARAGES SHOULD BE KEPT SEPARATE. WE URGE THAT THE CCC CREDIT BE PROVIDED AS THE DOMINICANS HAVE BEEN LED TO BELIEVE IT WOULD AND THAT THE EMBASSY BE PERMITTED TO PURSUE, AS VIGOROUSLY AS IN THE PAST, ITS EFFORTS TO EXPEDITE DOMINICAN PAYMENTS ON DEBT ARREARAGES.
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